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FOREIGN DIRECT INVESTMENT IN JAPAN: 1986 UPDATE

Summary

Tokyo's continuing liberalization of goods and services markets is beginning to impact on the level of foreign direct investment in Japan. According to Finance Ministry figures for 1985, foreigners poured nearly twice as much capital as the year before into new or existing Japanese enterprises, despite a decline in the overall number of cases. While virtually all the legal barriers to foreign investment were dismantled a decade ago, only with the advent of financial market liberalization has the infrastructure to support foreign investment begun to develop. In addition, an important psychological shift appears to have taken place among foreign competitors. Even though a local presence does not guarantee success in penetrating that country's highly competitive domestic markets, it is increasingly seen as a necessary and feasible step. Despite the yen's sharp appreciation over the past year, foreign direct investment will become an increasingly important factor in Japanese economic growth.

The New Climate: Liberalization

In the past two years the Japanese government has implemented major portions of programs designed to deregulate basic industries. This has created new opportunities for foreign firms -- opportunities that demand significant investments in personnel, equipment and support. The sources of this deregulation movement are varied; however, two are central. The first is Tokyo's desire to shrink the size of the government while restructuring its regulatory

powers to meet current economic conditions. Japan's national debt as a share of gross national product has grown to levels that match this country's ratio. Unlike the United States, however, Tokyo is only now coming to terms with how to refinance the debt while continuing everyday operations. A smaller bureaucracy coupled with a more vigorous economy would be a major step toward defusing the debt situation. Less regulation of basic goods, services and financial markets is seen as one way to accomplish both goals. This is a major change in Japanese economic policy. The elevation of free markets to a much higher status has clearly improved the climate for foreign investors, and has led to a more receptive attitude toward foreign participation in Japanese markets.

The second impetus to change has come from U.S.-Japan negotiations on a wide range of subjects. Although Tokyo can claim credit for many unilateral moves that improved market access for foreign firms, a number of important details were resolved only after long bilateral negotiations, including the May 1984 yen-dollar agreement and the 1985 market-oriented, sector-selective (MOSS) talks. In both cases, Tokyo was moving gradually in the desired direction. At Washington's insistence, however, schedules were accelerated and new regulations written to take foreign views into greater consideration. A closer look at several areas reveals this paradigm.

Telecommunications Equipment and Services - As part of the government's administrative reform plan, the domestic telecommunications market was opened to private firms on April 1, 1985. While this date heralded a flurry of investment activity, preparations for participating in the deregulated market had been in progress for more than a year. The allure was irresistible to many foreign firms, and particularly to American concerns. Not only did the change attract investments from such systems-oriented companies as AT&T International Inc., GTE Corp., Northern Telecom Inc. and Digital Switch Corp., but it also interested a host of firms that provide hardware components and information management services. The pull of the new market extends as far as satellites and computer software -- both U.S.-dominated fields.

Pharmaceuticals and Medical Products - Testing, certification and approvals procedures were the focus of bilateral talks in this area. U.S. companies have long been interested in the Japanese market but have recently launched a long-term campaign to beef up their position there. With simplified regulations in place, it will be easier to serve Japan's health-conscious consumers. In addition, the "greying" of the population translates into a growing market base. Despite remaining issues, therefore, an increasing number of medical products and pharmaceutical firms are opening up shop in Japan.

Electronics and Software - The presence of foreign firms in these markets is nothing new to Japan. Two developments, however, will improve the attractiveness of the Japanese market to foreign firms: Tokyo's adoption of intellectual property protection for both integrated circuit designs and computer programs similar to U.S. safeguards, which improves the confidence of foreign firms entering these highly competitive Japanese markets; and a realization by foreign firms that a presence in Japan, preferably a manufacturing operation, is absolutely critical to success inside Japan, and perhaps outside

as well. With adequate intellectual property safeguards in place, foreign-owned companies will be less fearful of bringing their best technology to key Japanese markets.

Financial Deregulation - The May 1984 yen-dollar agreement, a milestone for both Japan and the United States, commits Tokyo to open its financial markets to greater competition. Under the accord, Japan agreed to use more free-market mechanisms and to improve the depth of the financial system and its linkages with international money markets. Subsequent talks have insured Tokyo's sustained momentum as well as sensitivity to foreign views. These moves have poked large holes in the barriers that once insulated Japan's financial markets from global influences.

Financial deregulation has both a direct and indirect effect on foreign investment. The process has directly created openings in Japan's financial community that foreign firms can fill. This is true of trust banking and securities trading, and will soon be true for offshore banking as well. It has also affected peripheral financial services, such as insurance and leasing, much to the benefit of foreign firms. These market opportunities have not gone unnoticed -- the expansion or establishment of offices of foreign financial firms has been nothing less than breathtaking. These direct consequences of financial liberalization are likely to be outweighed by the indirect effects, however.

In the past, foreign investors in Japan had to cope without the institutions and services necessary to guide basic investment decisions. Services we take for granted were not available to investors exploring Japan's markets, from financial analysis of individual companies to credit ratings and employment agencies. In addition, the attitude toward foreign investors was not always amicable. In fact, the Japanese language does not have a word for "takeover," but uses the word "hijack" in referring to an unfriendly overture. In sum, foreign investors faced a maze of obstacles that had nothing to do with government regulations.

Liberalization and economic conditions are beginning to change this climate. Investment advisory services for small as well as large clients are increasing in number. Commercial real estate companies are devoting more effort providing services tailored to foreign needs. Prodded by slow growth, prefectural governments now compete arduously to attract foreign investment. All this bespeaks a change in attitude -- a fundamental shift that will begin to break down the psychological and cultural barriers that have hindered foreign investment in the past.

The New Climate: Foreign Attitudes

This change in Japanese attitudes has been accompanied by a new view from abroad that one must be globally competitive and compete globally in order to survive in business. Given the huge size of the U.S. domestic market, it is not surprising that American firms have lagged in adopting this perception. Japan set the standard of excellence in many product areas, and in some cases American companies have responded. No longer is their goal to beat the guy across the street, but rather the guy across the ocean. Taking the fight into Japan's home territory is the next logical step. Not only does this allow a

firm to keep tabs on its competitors in terms of product development, but it opens opportunities to study local production and management techniques. In addition, many firms have realized that they already have the unique or top-flight product to be successful in Japan and that the move abroad is worth the effort.

Another important psychological change in the United States is the death (albeit slow) of the "not-invented-here" syndrome. It is true that for many years the United States led the world in technology almost across the board. The emergence of Japanese as well as European competitors, however, has knocked the rose-colored glasses off U.S. noses. Following a common Japanese practice, an increasing number of American firms are establishing listening posts in Japan to gather information on technological developments. Even more important, foreign firms are opening research and development centers in Japan, just as the Japanese are beginning to do here and elsewhere. Since the pace of technological development is likely to accelerate, a presence in Japan becomes a must for foreign firms.

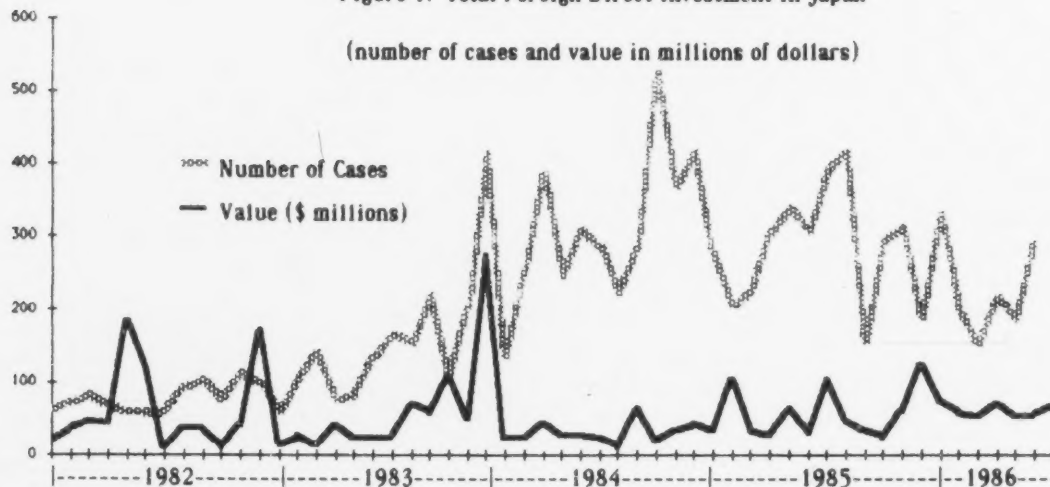
Finally, the practice of adopting local customs is beginning to take hold among U.S. businessmen interested in foreign investment. This is especially important in Japan, where so many business practices are heavily formalized and personal ties so important. Japanese consumers also exhibit strong cultural biases that could stymie a foreign firm's efforts to succeed in Japan. For instance, they do not buy things in units of four. Fortunately, foreign success stories are becoming more commonplace (or at least better publicized), and they all point to the importance of paying attention to local needs.

The Record for 1985

According to the Ministry of Finance, there were 3,222 foreign direct investments in Japan during FY 1985 (ended March 31, 1986) with a total value of \$780 million. This far surpasses the previous fiscal year's \$493 million figure, but represents a contraction in the number of ventures, down from 3,685 the previous year. Calendar year figures present a similar story: 1985's value was higher than 1984's (\$770 million versus \$417 million) but the case count was lower (3,490 versus 3,729). This seems to reverse a trend toward more numerous but smaller investments seen from FY 1981 to FY 1984 (see Figure 1).

It is important to note that the Finance Ministry figures that form the basis for the data in this report are drawn from the foreign investment notices filed with the ministry. Although the figures cover all sectors, including distribution, services and manufacturing, there are two major caveats. First, there is no verification of the investment by MOF officials. Given the tortuous negotiations that precede an investment, it would not be surprising to find that many prospective deals ultimately fall through. Second, the notifications are submitted in Japanese and translated into English by the ministry. We have made no effort to verify the names, value or current status of these investments. Thus the information should be construed only as an indication of trends.

Figure 1: Total Foreign Direct Investment In Japan



Furthermore, MOF's foreign investment classification guidelines differ from standard U.S. practice. MOF considers investments valued at less than 10 percent of a company's outstanding stock or led by investment brokers as direct investments rather than portfolio investments. In fact, MOF classifies all investments over ¥100,000 (\$645 at ¥155=\$1.00) as "major" and does not even consider the percentage of capital owned. Another important difference is that MOF does not include investment by foreign subsidiaries in Japan that are funded with retained earnings or with locally obtained financing, which can be quite significant. As a result, the Japanese data can present a confusing picture.

A compilation of major investments for 1984 and 1985 reveals several significant shifts in investor behavior (see Tables 1 and 2). In contrast to aggregate investment data, MOF figures show a decline in major investments in 1985 to just under ¥111 billion and 832 cases, from 1984's level of ¥122 billion and 841 cases. More money from Europe offset a decline in U.S. investments, but funds from other areas of the world showed steep reductions, accounting for the overall fall.

The United States continued to account for a majority of the investment activity in Japan in 1985. With a surge of over ¥4 billion (\$25.8 million), Great Britain nearly doubled its share of all foreign-affiliated investments, despite recording only seven additional ventures. France and West Germany, on the other hand, cut back on investments, although much of this was offset by higher inflows from other European nations. Within the Other Europe category, it is interesting to note that the Netherlands, Ireland and Switzerland

accounted for over 90 percent of the value. While funds from Hong Kong held steady, investment from the rest of the developing world fell drastically. One bright spot was hidden in the Other Asia category as Chinese investments continued to grow, hitting ¥176.3 million (\$1.1 million) in 1985 compared with ¥27 million (\$174,000) the previous year.

A major shift took place in the distribution of funds to new firms, existing firms and expanded holdings, with the first shrinking and the last ballooning. It is difficult to find reasons for the dramatic decline in new operations, particularly by American investors, given the fact that the dollar was relatively strong against the yen for most of the year. Although numerous financial and telecommunications firms made significant initial investments during 1985, it appears that medium-sized investors around the globe stayed away from Japan.

This contrasts with the action in the expanded holdings category. Buy-out fever raged among investors from the United States, Britain, Hong Kong and other European nations in 1985. The number of cases where the foreign partner raised its share of a Japanese subsidiary's stock to 100 percent nearly quadrupled from the previous year. It is unclear if this is the beginning of a new trend or simply a one-time occurrence. It does indicate confidence on the part of foreign investors that they can succeed on their own in Japan, and a more receptive attitude toward foreign ownership on the part of Japanese businessmen.

A review of investment activity by type of investor shows that individual investors retreated from the Japanese market, again for uncertain reasons. Foreign affiliates in Japan continued to plow a great deal of money into operations, although slightly less than the previous year. The figure would probably be higher if MOF included investments financed with locally raised funds, since business investment was very strong throughout 1985.

In all, the reasons for some of 1985's most surprising developments are difficult to divine. Because the data on major investments represent only a fraction of total investments, the picture may be highly skewed. For comparison, the latest Ministry of International Trade and Industry data are presented in Tables 3, 4 and 5. In general the two point to similar phenomena: a foreign business community dominated by American companies; polarization in ownership levels between minority positions and total control; and a pickup in investment activity in the past several years.

The Impact on Foreign Trade

Over the past year there has been some debate as to the impact of foreign affiliates on Japan's trade with the United States and Europe. The most recent U.S. and Japanese data provide conflicting evidence for 1982 and 1983. According to a Commerce Department study of 1982 data, Japanese affiliates of American multinational corporations exported more to the United States than they imported from it. U.S. exports associated with multinationals shipped to Japanese affiliates totaled just over \$2.5 billion, while imports from Japanese affiliates of U.S. corporations came to just over \$3.9 billion. The resulting \$1.4 billion deficit was almost 10 percent of the red ink the United States accumulated with Japan for that year.

On the other hand, information published by the Ministry of International Trade and Industry for fiscal 1983 (ended March 31, 1984) indicates that foreign affiliates ran a trade deficit with both the United States and Europe (Table 6). With exports to the United States totaling Y273.1 billion (\$1.8 billion) and imports coming in at Y421.9 billion (\$2.7 billion), foreign affiliates helped to reduce Japan's trade surplus by some Y14.9 billion (\$96.1 million). While both sets of data may be accurate, differences in the coverage of each survey could explain the conflicting conclusions.

It is somewhat ironic that the U.S. numbers support the Japanese government's contention that foreign affiliates in Japan actually worsen the bilateral trade imbalance, while the Japanese data seem to argue the opposite. Information from MITI will continue to provide important data so that an answer will become apparent.

Conclusion

Is investing in Japan worth the effort? An increasing number of foreign firms seem to be answering "yes." For the reasons outlined above, a foothold in Japan is being viewed as both a key competitive requirement and an important competitive asset. Although much has been made of the fact that it can take several years before a Japanese subsidiary can show a profit, foreign firms seem to perform well in comparison to other Japanese firms (see Table 7).

Is investing in Japan becoming less complicated? The affirmative also seems to apply in this case. The presence of foreign financial institutions can only enhance the atmosphere for foreign investment. In addition, the shift in Japanese policy toward more free-market mechanisms will provide increasing room to maneuver, and new attitudes toward foreign investment are surfacing in private and public circles.

The only cloud in the sky is the strong yen. While it is likely to discourage the casual investor, it appears that the balance of factors will continue to weigh in favor of investment. The potential of the noncommunist world's second-largest economy is simply too great to ignore.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

Table 1: Major Direct Foreign Investments in Japan by Country and Category, 1984*

(in millions of yen; share of total in parentheses)

Investor	Total		New Firms		Existing Firms		Expanded Holdings	
	Value	Cases	Value	Cases	Value	Cases	Value	Cases
United States	Y65,011.0 (53.4%)	274 (32.6%)	Y46,981.8 (66.6%)	164 (41.3%)	Y3,714.3 (27.9%)	52 (22.1%)	Y14,314.94 (40.9%)	58 (27.9%)
Canada, Central & South America	6,452.4 (5.3)	65 (7.7)	4,373.7 (6.2)	23 (5.7)	1,021.1 (5.0)	30 (13.2)	1,057.6 (3.4)	12 (5.5)
United Kingdom	7,061.1 (5.8)	73 (8.7)	2,539.6 (3.6)	24 (6.1)	3,489.8 (17.2)	38 (16.7)	1,031.7 (3.3)	11 (5.1)
West Germany	6,939.4 (5.7)	62 (7.4)	1,904.7 (2.7)	31 (7.7)	3,738.7 (18.5)	14 (6.1)	1,296.0 (4.2)	17 (7.8)
France	3,774.0 (3.1)	45 (5.4)	1,975.2 (2.8)	21 (5.4)	547.0 (2.7)	11 (4.8)	1,251.8 (4.0)	13 (6.0)
Other Europe	13,635.3 (11.2)	103 (12.2)	4,021.0 (5.7)	46 (11.6)	4,289.1 (21.2)	32 (14.0)	5,325.2 (17.2)	25 (11.5)
Hong Kong	10,226.4 (8.4)	86 (10.2)	3,668.2 (5.2)	29 (7.3)	1,840.1 (9.1)	20 (8.8)	4,718.1 (15.2)	37 (17.1)
Taiwan	3,287.1 (2.7)	40 (4.8)	1,269.8 (1.8)	27 (6.7)	638.1 (3.2)	10 (4.4)	161.7 (0.5)	3 (1.4)
Korea	730.5 (0.6)	3 (0.4)	493.8 (0.7)	1 (1.0)	236.7 (1.2)	2 (0.9)	0 (0.0)	0 (0.0)
Southeast Asia	1,826.2 (1.5)	15 (1.8)	1,128.7 (1.6)	14 (3.4)	0 (0.0)	0 (0.0)	697.5 (2.3)	1 (0.5)
Other Asia	2,556.6 (2.1)	70 (1.3)	1,481.4 (2.1)	15 (3.7)	533.6 (2.6)	15 (6.6)	541.6 (1.7)	40 (18.4)
Africa	7.2 (**)	2 (0.2)	3.1 (**)	1 (0.1)	4.1 (**)	1 (0.4)	0 (0.0)	0 (0.0)
Middle East	186.3 (0.2)	3 (0.4)	0 (0.0)	0 (0.0)	186.3 (0.9)	3 (1.3)	0 (0.0)	0 (0.0)
Total	121,743.4	841	70,543.2	396	20,238.9	228	30,961.3	217
of Which:								
Individuals	3,731.6 (3.1)	183 (21.8)	1,723.6 (2.4)	73 (18.3)	1,037.4 (6.4)	63 (26.8)	970.6 (0.1)	47 (22.6)
Subsidiaries	24,213.8 (19.9)	124 (14.7)	8,731.5 (12.4)	48 (12.1)	4,576.2 (28.2)	23 (9.8)	10,906.1 (31.2)	53 (25.5)

*Stock purchases with a value greater than Y100,000.

**Less than 0.1

Source: Ministry of Finance, International Finance Bureau, Foreign Capital Division.

Table 2: Major Direct Foreign Investments in Japan by Country and Category, 1985*

(in millions of yen; share of total in parentheses)

Investor	Total		New Firms		Existing Firms		Expanded Holdings	
	Value	Cases	Value	Cases	Value	Cases	Value	Cases
United States	Y59,657.7 (53.8%)	288 (34.6%)	Y11,848.6 (52.7%)	175 (45.8%)	Y9,709.3 (50.0%)	57 (23.5%)	Y38,099.84 (55.2%)	56 (27.1%)
Canada, Central & South America	4,551.9 (4.1)	62 (7.5)	1,223.9 (5.4)	14 (3.7)	1,558.4 (8.0)	30 (12.3)	1,769.6 (2.6)	18 (8.7)
United Kingdom	11,226.2 (10.1)	80 (9.6)	1,905.8 (8.5)	29 (7.6)	2,084.2 (10.7)	41 (16.9)	7,236.2 (10.5)	30 (14.5)
West Germany	1,883.1 (1.7)	38 (4.6)	1,411.5 (6.3)	22 (5.6)	117.5 (0.6)	10 (4.1)	354.1 (0.5)	6 (2.9)
France	2,856.2 (2.6)	60 (7.2)	437.8 (1.9)	25 (6.5)	1,655.4 (8.5)	21 (8.6)	763.0 (1.1)	14 (6.8)
Other Europe	17,584.3 (15.9)	125 (15.0)	3,623.3 (16.1)	43 (11.3)	1,690.1 (8.7)	40 (16.5)	12,270.9 (17.8)	42 (20.2)
Hong Kong	10,553.7 (9.5)	51 (6.1)	585.3 (2.6)	18 (4.7)	2,134.5 (11.0)	14 (5.8)	7,833.9 (11.3)	19 (9.2)
Taiwan	442.9 (0.4)	29 (3.5)	295.2 (1.3)	17 (4.5)	95.6 (0.5)	5 (2.1)	52.1 (0.1)	7 (3.4)
Korea	73.0 (**)	5 (0.6)	60.0 (0.3)	4 (0.3)	13.0 (0.1)	4 (1.6)	0 (0.0)	0 (0.0)
Southeast Asia	393.8 (0.3)	19 (2.2)	292.4 (1.3)	9 (2.4)	76.2 (0.4)	8 (3.3)	25.2 (**)	2 (1.0)
Other Asia	1,220.2 (1.1)	45 (5.4)	535.5 (2.4)	23 (6.0)	38.9 (0.2)	10 (4.1)	645.8 (0.9)	12 (5.8)
Africa	0.2 (**)	1 (0.1)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0.2 (**)	1 (0.5)
Middle East	483.3 (0.4)	9 (1.1)	250.8 (1.1)	6 (1.6)	232.5 (1.2)	3 (1.2)	0 (0.0)	0 (0.0)
Total	110,926.5	832	22,470.1	382	19,405.6	243	69,050.8	207
of which:								
Individuals	1,463.5 (1.3)	120 (14.4)	737.0 (0.3)	62 (16.2)	216.5 (1.1)	40 (16.5)	510.0 (0.1)	18 (8.7)
Subsidiaries	21,742.9 (19.6)	112 (13.5)	2,316.3 (10.3)	52 (13.6)	3,421.2 (17.6)	32 (13.2)	16,005.4 (23.2)	28 (13.5)

* Stock purchases with a value greater than Y100,000.

** Less than 0.1

Source: Ministry of Finance, International Finance Bureau, Foreign Capital Division.

Table 3: Japanese Affiliates of Foreign Firms, Industry by Country, FY 1983

(number of companies and share of total)

Country	Manufacturing										Total Cases	Total Share				
	Chemicals		Nonelectric Machinery		Electric Machinery		Commerce		Services				Other			
	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share			Cases	Share		
United States	293	58.6%	58	62.4%	54	54.5%	62	74.7%	110	28.6%	53	55.2%	17	41.5%	473	46.3%
United Kingdom	28	5.6	2	2.2	5	5.1	1	1.2	29	7.6	8	8.3	1	2.4	69	6.8
France	20	4.0	5	5.4	1	1.0	1	1.2	19	4.9	3	3.1	1	2.4	43	4.2
West Germany	42	8.4	8	8.6	12	12.1	6	7.2	34	8.9	3	3.1	3	7.3	82	8.0
Switzerland	33	6.6	9	9.7	6	6.1	3	3.6	35	9.1	5	5.2	0	0.0	73	7.1
Total Europe	170	34.0	30	32.3	38	38.4	17	20.5	185	48.2	27	28.1	12	29.3	394	38.6
Total Asia	19	3.8	4	4.3	5	3.0	1	1.2	54	14.1	8	8.3	10	24.4	91	8.9
Total	500	100.0	93	100.0	99	100.0	83	100.0	384	100.0	96	100.0	41	100.0	1,021	100.0

Table 4: Japanese Affiliates of Foreign Firms, Industry by Participation Rate, FY 1983

(number of companies and share of total)

Foreign Ownership	Manufacturing												Total			
	Chemicals		Nonelectric Machinery		Electric Machinery		Commerce		Services		Other					
	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share		
Up to 50 percent	214	42.8%	57	61.3%	43	43.4%	24	28.9%	79	20.6%	13	13.5%	8	19.5%	314	30.8%
50 to 100 percent	96	1.92	10	10.8	21	21.2	14	16.9	83	21.6	17	17.7	12	29.3	208	20.4
100 percent	190	38.0	26	28.0	35	35.4	45	54.2	222	57.8	66	68.8	21	51.2	499	48.9
Total	500	100.0	93	100.0	99	100.0	83	100.0	384	100.0	96	100.0	41	100.0	1,021	100.0

Table 5: Japanese Affiliates of Foreign Firms, Industry by Date of Establishment, FY 1983

(number of companies and share of total)

Date	Manufacturing												Total			
	Chemicals		Nonelectric Machinery		Electric Machinery		Commerce		Services		Other					
Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share	Cases	Share			
Before FY 1966	136	27.2%	31	33.3%	22	22.2%	14	16.9%	76	19.8%	7	7.3%	9	22.0%	228	22.3%
FY 1967-FY 1972	95	19.0	24	25.8	22	22.2	11	13.3	64	16.7	13	13.5	2	4.9	174	17.0
FY 1973-FY 1978	126	25.2	21	22.6	33	33.3	20	24.1	127	33.1	37	38.5	16	39.0	306	30.0
FY 1979-FY 1983	143	28.6	17	18.3	22	22.2	38	45.8	117	30.5	39	40.6	14	34.1	313	30.7
Total	500	100.0	93	100.0	99	100.0	83	100.0	384	100.0	96	100.0	41	100.0	1,021	100.0

Source: Ministry of International Trade and Industry

Table 6: Role of Foreign Affiliates in Japan's Foreign Trade, FY 1983

(in millions of yen)

	Total Trade			With United States			With European Community		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Manufacturing	Y560,492	Y3,938,626	Y-3,378,134	Y170,873	Y327,239	Y-156,366	Y37,746	Y135,101	Y-97,355
Food Products	462	25,960	-25,498	3	10,174	-10,171	0	2,177	-2,171
Textiles	4,686	295	4,391	0	101	-101	0	194	-194
Lumber and Wood Products	517	331	187	0	0	0	0	176	-176
Pulp and Paper	940	11,097	-10,157	0	8,733	-8,733	73	243	-170
Printing and Publishing	1	60	-59	0	0	0	0	0	0
Chemicals	68,868	114,719	45,851	14,322	46,820	-32,498	7,099	51,405	-44,306
Pharmaceuticals	12,545	119,044	-106,499	1,491	31,559	-30,068	286	22,843	-22,557
Oil and Petroleum Products	60,884	3,236,579	-3,175,695	38,939	827	38,112	1,333	18,118	-16,785
Rubber Products	1,633	479	1,154	0	248	-248	0	90	-90
Glass and Mineral Products	3,003	2,520	483	2,034	105	1,929	0	1,893	-1,893
Steel	1,478	835	643	0	0	0	0	0	0
Nonferrous Metals	40,700	74,141	-33,441	1,506	77	1,429	0	95	-95
Metal Products	2,272	1,769	503	29	1,554	-1,525	0	0	0
Nonelectric Machinery	85,230	56,662	28,568	6,037	9,494	-3,457	8,633	22,946	-14,313
Electric Machinery	222,251	229,927	-7,676	100,503	189,824	-89,321	5,376	1,463	3,913
Transportation Equipment	8,216	2,108	6,108	3,932	1,574	2,358	13	386	-373
Precision Machinery	42,731	44,701	-1,970	2,077	11,069	-8,962	14,878	12,052	2,826
Other Machinery	4,025	17,390	-13,365	0	15,110	-15,110	55	1,026	-971
Commerce	373,220	853,973	-480,753	101,094	88,245	12,849	349,17	147,807	-112,890
Services	7,271	9,827	-2,556	1,086	5,773	-4,687	1,607	1,592	15
Other	3,471	904	8,567	74	666	-592	76	83	-07
Total	950,454	4,803,300	-3,852,876	273,127	411,923	-148,796	74,346	284,583	-210,237

Source: Ministry of International Trade and Industry

Table 7: Foreign Affiliates in Japan, FY 1983

(in millions of yen)							
	<u>Sales</u>	<u>Ordinary Profit</u>	<u>Profit to Sales Ratio</u>	<u>Total Assets</u>	<u>Equity</u>	<u>Employees (thousands)</u>	<u>New Technology Introductions</u>
All Industries							
Total	¥9,209,682	¥169,236	1.8%	¥5,968,002	16.6%	29,158	1,073
Foreign	135,683	4,810	3.5	75,590	24.1	140	149
Ratio	1.5%	2.8%		1.3%		0.5%	13.9%
Manufacturing							
Total	2,985,821	86,564	2.9	2,196,672	23.6	1,555	n.a.
Foreign	87,029	3,763	4.3	58,306	26.3	115	n.a.
Ratio	2.9%	4.3%		2.7%		1.0%	n.a.
Non-Petroleum Manufacturing							
Total	2,820,122	85,090	3.0	2,097,649	24.4	11,498	n.a.
Foreign	32,278	2,606	6.8	31,529	37.7	106	n.a.
Ratio	1.4%	3.1%		1.5%		0.9%	n.a.
Commerce							
Total	4,270,911	32,321	0.8	1,704,390	12.5	7,312	n.a.
Foreign	46,974	971	2.1	14,509	16.5	19	n.a.
Ratio	1.1%	3.0%		0.9%		0.3%	n.a.

Source: Ministry of International Trade and Industry